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20 March 1972

MEMORANDUM FOR: Director of Special Activities
Deputy Director of Special Activities
Comptroller, OSA

SUBJECT: FY 1973 Financial Program, FY 1974 Budget,
and FY 1975 through FY 1978 Planning

1. The following comments apply to draft unsigned memorandum from D/NRO dated 16 March 1972, [redacted] Subject: FY 1973 Financial Program, FY 1974 Budget, and FY 1975 through FY 1978 Planning.

2. It should be noted that the comments are in somewhat greater detail; however, it was provided in this manner so that an understanding can be appreciated when manipulations and juggling in future budgets transpire.

3. Comments:

a. FY 1973

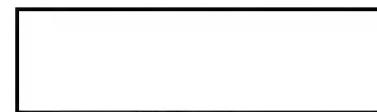
Assuming that the contracting will remain in OSA during FY 1973, it appears that there should be no problems generated by the change in estimating responsibilities from OSA to Director D, provided that we also have a say in the funding of the various contracts in the common account. I assume also that we would nominally remain the SPO during FY 1973, since there is no mention made of a change in that responsibility during that fiscal year. If this be true, we will still have primary control over systems modifications, service bulletins, etc. If this assumption proves to be incorrect we then will be faced in FY 1973 with a situation approaching that of FY 1974, when budgeting and contracting for this account reverts to the Air Force.

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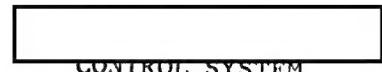
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b. FY 1974

The policy here is, in effect, a reversion to that which existed prior to emergence of the U-2R; i.e., two separate fleets with divergent missions, dissimilar requirements for defense gear, and different requirements for primary mission equipment. During that period each of the program managers went his merry way, developing systems for which he had a requirement, occasionally coordinating with the opposite manager but proceeding on course regardless of whether the counterpart concurred in the need for the systems and sensors being developed. For instance, the CIA fleet of U-2's converted to J-75 engines early in the game (circa 1960-1961), while the SAC conversion did not take place until 1967. (no requirement). During that time each program budgeted for its peculiar requirements and for its share of the common account, and the common account was small as compared to the present day common account. The difference between that period and the proposed policy in FY 1974 is that all funding was accomplished by the NRO; contracting was by the CIA for both programs. In order to insure that all of our systems are covered it appears that we must revert to the previous system; covering all of our peculiar requirements in the IDEALIST Peculiar Budget regardless of contractor, and that we must also budget under peculiar for our share of the common account. If the Air Force program is subject to the same scrutiny as normal Air Force Programs there is no guarantee that they will receive the amount requested in the common account, which would make it awkward indeed if we did not have some provision in our budget to take care of our needs. Regarding defensive systems and primary mission systems, this proposed program could be a blessing in disguise, in that we will be responsible only for those systems which we require for our fleet, and will be in the position of determining and selling our requirements without regard to coordinate or concurrence of Program D, since we will have a separate SPO for each program. In that regard, the NRO memo, in effect, recognizes and legalizes the present state of affairs. Although the memo does not specifically say so, it appears that we must assume that the CIA operation will continue to be funded by the NRO, and that if we have requirements for additional money in any fiscal year we have recourse to the NRO as we do at present.



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c. General

Aside from the funding aspects, the limiting to 4 airplanes definitely detracts from our contingency capabilities. As we have said before, ad infinitum, if we are committed to a 50 hour response time, we must have three airplanes at [redacted]. While it will be possible under certain conditions to meet such a response time, it can not be guaranteed with two airplanes, while with three it can. In the situation where one airplane is down for PE and the second one is configured for a particular flight test or is down for unscheduled maintenance, it would be impossible to meet the 50 hour response time. This condition has existed fairly regularly during recent months, and would have existed even more regularly had we not experienced slippages in deliveries of some of our primary equipments. Should we have an exercise like [redacted] it would be necessary to utilize [redacted] tational basis, at least one aircraft from [redacted]. In [redacted] at one time or another we utilized all three aircraft which were then at [redacted]. It would have been difficult, if not impossible, to have met mission requirements had we had only two aircraft to play with. Most of the difficulties created by this change will be faced by the Depot, who will be administering black contracts and white contracts with the same contractors for support of the same items. It will be extremely difficult for them to keep track of who is doing what. However, it should be possible to operate under these ground rules provided certain special dispensations in accounting procedures, audits, inspections by GAO and others, can be agreed upon before-hand. They are required to preserve the security relating to support of a CIA operation and to enable quick response to unforeseen requirements. If these special dispensations are not forthcoming, and the Air Force contracts are subject to the normal contract review procedures, support of the U-2 fleet will be jeopardized greatly, due to the limited assets available and the quick turn-around time required for overhaul and repair of parts and systems.

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D/M/OSA [redacted]let (20 March 72)

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